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Message Text

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ACTION EUR-12

INFO OCT-01 NEA-10 IO-10 ISO-00 EURE-00 CIAE-00 DODE-00

PM-04 INR-07 L-03 NSAE-00 NSC-05 PA-02 PRS-01 SP-02

SS-15 USIA-15 AID-05 SAJ-01 EB-07 FEAE-00 TRSE-00

COME-00 SIL-01 LAB-04 CEA-01 CIEP-02 OMB-01 STR-04

AGR-10 OES-05 INT-05 SAM-01 XMB-04 FRB-01 /139 W
---------- 114377
P R 051808Z SEP 75
FM AMEMBASSY BONN
TO SECSTATE WASHDC PRIORITY 2655
INFO USMISSION OECD PARIS
USDEL MTN GENEVA
USMISSION USUN NEW YORK PRIORITY
AMEMBASSY TEHRAN

UNCLAS SECTION 01 OF 02 BONN 14538

E.O. 11652: NA
TAGS: EAID, GW
SUBJECT: CDU CONFERENCE ON DEVELOPMENT ASSISTANCE
POLICY: PREBISCH COMMENTS ON SECRETARY'S UN SPEECH.

1. SUMMARY: CDU PARTY HELD MAJOR CONFERENCE ON DEVELOPMENT ASSISTANCE POLICY IN BONN ON SEPT. 4-5 TO CONSIDER PROPOSED CDU PROGRAM AND GENERATE BROADER PUBLIC DISCUSSION OF DEVELOPMENT AID ISSUES. RAUL PREBISCH, DAC CHAIRMAN WILLIAMS, AND REZA FALLAH OF NATIONAL IRANIAN OIL COMPANY ADDRESSED THE CONFERENCE ON THEME OF CONSEQUENCES OF OIL PRICE INCREASE FOR DEVELOPMENT AID. PREBISCH TOOK SPECIAL EFFORT TO PRAISE THE SECRETARY'S UN SPEECH, SAYING THAT IN HIS MORE THAN 25 YEARS IN UN HE HAS NEVER BEFORE SEEN SUCH A CONSTRUCTIVE AND ENLIGHTENED DOCUMENT. IF VIEWS OF OTHER INDUSTRIAL CENTERS COINCIDE WITH THIS NEW US APPROACH, HE EXPRESSED HOPE THAT VIOLENT CON-
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FRONTATION OF PAST WILL GIVE PLACE TO A PERIOD OF

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NEGOTIATION AND CONSENSUS. END SUMMARY.

2. TWO-DAY CDU CONFERENCE WAS CONVENED TO OBTAIN SOUNDINGS ON PROPOSED CDU GUIDELINES FOR DEVELOPMENT POLICY AND TO INITIATE BROADER PUBLIC DEBATE OF ISSUES INVOLVED. CONFERENCE, WHICH WAS FIRST OF THIS KIND TO BE CONVENED BY A MAJOR POLITICAL PARTY, ATTRACTED OVER 500 PARTICIPANTS FROM UNIVERSITIES, GOVERNMENT, INDUSTRY, AND PARTY ITSELF. CONFERENCE PAPERS, INCLUDING PREBISCH, WILLIAMS, AND FALLAH SPEECHES, POUCHED TO CASAGRANDE, EUR/CE.
DRAFT GUIDELINES IN ENGLISH; OTHERS ONLY IN GERMAN.

3. IN ADDRESSING CONFERENCE, CDU CHAIRMAN KOHL AND CDU SPOKESMAN FOR DEVELOPMENT POLICY TODENHOEFER STRESSED NEED TO GIVE PRIORITY TO DEVELOPMENT AID, EVEN AT TIMES SUCH AS PRESENT WHEN WAYS MUST BE FOUND TO REDUCE LARGE FEDERAL DEFICIT. TODENHOEFER CHARGED THAT 15 PER CENT REDUCTION IN AID CONTINUED IN PROPOSED FEDERAL BUDGET WAS NOT ONLY IRRESPONSIBLE BUT LESSENED FRG CREDIBILITY IN EYES OF THIRD WORLD. BOTH CDU SPOKESMEN ADVOCATED THAT INDUSTRIAL COUNTRIES MUST OPEN THEIR MARKETS TO THOSE INDUSTRIAL COMMODITIES PRODUCED BY LDCS, AND IN THIS CONNECTION POINTED TO NEED FOR STRUCTURAL POLICIES DESIGNED TO SAFEGUARD JOBS AS PRODUCTION SWITCHES FROM FRG TO LDCS. TODENHOEFER AND OTHER SPEAKERS WARNED, HOWEVER, THAT STRUCTURAL POLICIES MUST BE DESIGNED TO ASSIST RATHER THAN SUPPLANT THE WORKING OF FREE MARKET FORCES.

4. PREBISCH DISCUSSED INSUFFICIENT RATE OF CAPITAL ACCUMULATION IN LDCS, NEED TO ALTER PATTERNS OF CONSUMPTION IN DEVELOPING COUNTRIES TO MAKE THEM COMPATIBLE WITH MORE RAPID RATE OF CAPITAL ACCUMULATION; SAID THAT THESE PROBLEMS CANNOT BE SOLVED BY MARKET FORCES. REFERRING TO IMPACT OF OIL PRICE INCREASE ON MSAS, PREBISCH POINTED OUT THAT UN PROGRAM HE HEADED IS NOW FINISHED BUT THAT THE EMERGENCY CONTINUES AND THAT NO ADEQUATE
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INTERNATIONAL MACHINERY EXISTS TO DEAL WITH THIS PROBLEM.

5. DEPARTING FROM HIS PREPARED SPEECH, PREBISCH SAID THAT THE SECRETARY'S UN ADDRESS REPRESENTED A 180 DEGREE TURN IN US ATTITUDE. IN MORE THAN 25 YEARS AT UN, HE HAS NOT SEEN A MORE CONSTRUCTIVE AND ENLIGHTENED DOCUMENT. IF POSITIONS OF OTHER

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INDUSTRIAL CENTERS WILL BE CLOSE TO US APPROACH,
PREBISCH SEES HOPE THAT VIOLENT CONFRONTATION IN
PAST WILL GIVE PLACE TO A PERIOD OF NEGOTIATION AND
CONSENSUS. ONLY MAJOR RESERVATION CONCERNED "LACK
OF BALANCE" CONCERNING TREATMENT OF TNES. PREBISCH

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SAID THAT TECHNICAL SUPERIORITY TNES HAVE IN
DEALING WITH LDC GOVERNMENTS AND FIRMS MUST SOMEHOW
BE COUNTERBALANCED. CITED OLD IDB PROJECT TO
ASSIST LDCS BUY SHARES OF TNE SUBSIDIARIES AS POSSIBLE
APPROACH, WHICH COULD BE FINANCED BY OIL FUNDS.

6. WILLIAMS PLACED PRESENT PROBLEMS IN CONTEXT OF
TWO-DECADE PERIOD OF GROWTH AND DEVELOPMENT FOR DCS
AND LDCS ALIKE; SAID THAT INFLATION AND RECESSION

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NOT VALID REASONS AGAINST INCREASED AID EFFORT;
ATTRIBUTED PRESENT PAUSE IN GROWTH AND DEVELOPMENT
IN PART TO OIL PRICE RISE. WILLIAMS POINTED TO LDC
INTEREST AS EXPRESSED IN NIEO IN OBTAINING GREATER
ACCESS TO DEVELOPED MARKETS AND DISCUSSED IMPORTANCE
OF INTEGRATING LDCS INTO WORLD TRADE SYSTEM. HE
ALSO SINGLED OUT WORLD FOOD CONFERENCE AS EXAMPLE
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SHOWING IT WAS POSSIBLE FOR DCS, OIL PRODUCERS AND
LDCS TO AGREE ON A GLOBAL PROBLEM AND ON HOW TO DEAL
WITH IT. IN FINAL POINT, HE STRESSED THAT WORLD CAN
NOT TOLERATE FURTHER INCREASE IN OIL PRICES.

7. FALLAH DOWNPLAYED INFLATIONARY AND RECYCLING
PROBLEMS CAUSED BY OIL PRICE RISE; SAID THAT MORE
IMPORTANT CONSEQUENCES HAVE BEEN THE STIMULATION OF
SEARCH FOR ALTERNATIVE ENERGY SOURCES AND ENERGY-
SAVING MEASURES. POINTING TO VAST COAL RESOURCES
IN GERMANY AND ELSEWHERE, FALLAH PROPHESIZED THAT
IN LONG RUN THE PRICE OF OIL WILL BE DETERMINED BY
COST OF COAL PRODUCTION. SIDESTEPPING CHARGES THAT
FURTHER RISE IN OIL PRICES WOULD HAVE MOST SERIOUS
IMPACT ON MSAS, FALLAH PREFERRED TO CONCENTRATE ON
AID EFFORTS UNDERTAKEN BY IRAN AND OPEC IN GENERAL.
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